

# Internal Controls

Fall Title I & Title IIA Statewide Conference  
November 3, 2016

MASSACHUSETTS DEPARTMENT OF  
ELEMENTARY AND SECONDARY  
**EDUCATION**



# 6 facts about Title I

- ★ Title I serves more than 18 million students nationwide
- ★ Title I was initiated in 1965 as part of the War on Poverty
- ★ Title I serves students Pre-K through 12<sup>th</sup> grade
- ★ Title I is the single largest pre-college federal education program
- ★ Title I students are found in almost every school district in the county
- ★ Title I is NOT just for low income students



# Internal control

- ★ Internal control is a process that is developed to provide reasonable assurance that the following categories of objectives will be achieved:
  - ★ the district's financial reporting will be reliable;
  - ★ the district will operate effectively and efficiently; and
  - ★ the district will comply with applicable laws, regulations, contracts and grant agreements.



# Internal control

- ★ People are critical to internal controls. It is not just about policies, manuals, and forms
- ★ Internal control can be expected to provide reasonable assurance... but not absolute assurance



# Examples of good internal controls

- ✓ Purchase orders: should indicate that an item or service was authorized prior to purchase
- ✓ Information on invoices: should describe the item or service purchased and its designated purpose
- ✓ Payment of invoices: should ensure that expenditures match agreed upon charges with purchase orders and vendor contracts
- ✓ Vendor contracts – should document the activity or item being purchased



# Examples of good internal controls

- ✓ Equipment records – should indicate up to date equipment lists with accurate location information
- ✓ Procedures to draw down funds: should have procedures to draw down funds from ESE within the allowed time periods
- ✓ Title I set-asides: should show the allocation and distribution of funds from Title I set-asides



# Examples of good internal controls

- ✓ Budget process – should have financial information that compares actual expenditures to the amounts budgeted (tracking by Business Manager)
- ✓ Grant workbook must align with budget expenditures – submit amendments as needed
- ✓ Payroll records / FTEs / time & effort should all reconcile



# To help ensure proper spending, make sure the entire organization understands the rules

*Do these staff members understand the purpose of Title I?*

- ★ District leadership
- ★ Title I staff
- ★ Business office staff
- ★ Grants staff
- ★ School staff & leaders
- ★ Facilities staff





# Unallowable activities

- ★ Federal funds may not be used for such things as:
  - ★ Advertising & public relations costs, including gifts and souvenirs
  - ★ Alcoholic beverages
  - ★ Donations and contributions
  - ★ Entertainment costs
  - ★ Fundraising activities
  - ★ Goods or services for personal use
  - ★ Lobbying / Selling and marketing costs



# Allowable activities

- ★ Costs charged to federal funds must be:
  - ★ *Necessary* for the performance or administration of the grant
  - ★ *Reasonable* in light of the goals of the federal programs, the cost of the item, and the needs of the district
  - ★ *Allocable*, which means the costs provide a benefit to the program in proportion to the amount charged
  - ★ *Authorized* under state and local laws and policies, and
  - ★ *Adequately documented*



# What is “necessary and reasonable”?

- ★ Is the relationship between the cost and an educational or administrative decision clear and straightforward?
- ★ Does the cost make sense given Title I requirements?
  - ★ Will the cost support the purpose of the Title I program
  - ★ Is the cost consistent with the school’s program design (SW / TA)?
  - ★ Does the cost comply with Title I fiscal rules? (e.g., supplement not supplant)?
  - ★ Can schools make effective use of whatever is being purchased? Can school staff explain how the item supports the Title I program?
  - ★ Would a reasonable person understand the cost?
  - ★ Can the cost be justified with data, research, or best practices?



# What does “adequately documented” mean?

- ★ Can we demonstrate the decision-making process?
- ★ Can we provide documentation easily after the fact, without creating something new?
- ★ Do we store documentation centrally? If not, can each relevant part of the organization provide documentation for their work?



# Some examples of documentation

- ★ Needs assessment & other planning documents
- ★ Grant application and grant award notice
- ★ Procurement & inventory records
- ★ Payroll records
- ★ Financial records
- ★ Student & staff participation details
- ★ Program evaluation



# Time and effort reporting

- ★ Districts must maintain auditable "time and effort" records that show how each Title I employee spent his/her compensated time.
- ★ Records are written & after-the fact
- ★ Time and effort records must be prepared by Title I staff with salary charged directly to:
  - ★ A federal award,
  - ★ Multiple federal awards, or
  - ★ To any combination of a federal award and other state/federal sources.



# Time and effort reporting – semi-annual reports

- ★ Full-time staff – working on a single cost objective
- ★ Each district must maintain copies of signed semi-annual certifications documenting that staff work solely in activities supported by the Title I grant – signed by the employee or a supervisor
- ★ See sample Title I semi-annual certification form on ESE Title I website



# Time and effort reporting – monthly reports

- ★ Split-time staff – work on Title I and other activities or multiple cost objectives
- ★ Each district must maintain documents that describe time spent on Title I and other activities – signed by the employee
- ★ See sample monthly time and effort report for split-funded staff on ESE website





# Time and effort reporting – stipends

- ★ Stipends (and other supplemental contracts) must also be reported.
- ★ Record on semi-annual certifications or monthly reports, whichever is utilized for the particular employee.
- ★ Other acceptable documentation:
  - A signed supplemental contract that stipulates Title I work activity;
  - Sign-in attendance logs approved by the supervisor (e.g., pay for professional development activities, after school activities, etc); and
  - Employee time/pay slips that specify "Title I" and are approved by the supervisor



# Title I audits

## What do the auditors look for?

- ★ Deficiencies in internal controls
- ★ Noncompliance with laws and regulations
- ★ Questioned costs greater than \$25,000
  - ★ Unallowable costs
  - ★ Undocumented costs
  - ★ Unapproved costs
  - ★ Unreasonable costs



# What is an audit finding?

- ★ “Findings” are significant issues noted by the auditor that are disclosed in your audit report, which is a public record.
- ★ Your district must prepare a corrective action plan to resolve the issue.
- ★ Your district may be asked to repay questioned costs to the grantor agency.



# Statistics on MA single audit findings

FY16 Commonwealth of Massachusetts Common  
Single Audit findings:

Time and effort reporting

Unallowable costs

FR-1 reporting / reconciliation

Cash management

Reporting/recordkeeping



# Audit findings

The auditor must report (for major programs):

- ★ Known questioned costs > \$25,000
- ★ Auditor will not normally find questioned costs for a program that is not audited as a “major program”
- ★ **NEW: But if auditor becomes aware of questioned costs > \$25,000 for non-major program, they must report**



# Tips for Title I Directors

- ★ Gather and summarize grant information
  - ★ Clean and organized records to give to auditors
- ★ Document your policies and procedures
  - ★ Documentation drives quality and compliance
- ★ Make sure the employees assigned to Title I understand the grant requirements to ensure compliance
- ★ Use the Title I Handbook for guidance and timelines



# Contact information

Website: [www.mass.gov/ese/titlei](http://www.mass.gov/ese/titlei)

Email: [titlei@doe.mass.edu](mailto:titlei@doe.mass.edu)

Phone: 781-338-6230

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